

A PROCLAMATION
BY THE GOVERNOR OF THE STATE OF CALIFORNIA

WHEREAS the global recession has caused California's revenues to continue to plummet, leaving our state with an unprecedented budget deficit that forces the State to take drastic actions to fix it that will affect every Californian; and

WHEREAS on November 6, 2008, and again on December 1, 2008, due to concerns regarding dramatically declining revenues and worsening economy, I issued a Special Session Proclamation and convened the Legislature of the State of California to meet in extraordinary session to address the fiscal crisis that California faces; and

WHEREAS on February 20, 2009, a revised state budget for fiscal year 2008-09 was adopted and a state budget for fiscal year 2009-10 was adopted; and

WHEREAS within a few weeks after the passage of these budgets, the global recession caused California's revenues to worsen even more, thus creating a new budget deficit of approximately \$15.4 billion for fiscal years 2008-09 and 2009-10; and

WHEREAS on May 20, 2009, after the failure of Propositions 1A through 1E, California faced a budget deficit of \$21.3 billion for fiscal years 2008-09 and 2009-10; and

WHEREAS California planned to borrow up to \$6 billion through Reimbursement Warrants (commonly referred to as "RAWs") to address part of the budget deficit, but this short-term borrowing is no longer an available option due to the recent decision of the federal government not to provide financial assistance or loan guarantees for this emergency, short-term borrowing; and

WHEREAS the state's inability to borrow through RAWs will result in more severe spending cuts in the state's programs and services; and

WHEREAS on May 22, 2009, the Legislative Analyst predicted that the Governor's May Revision revenue projections may prove overly optimistic, and instead, projected that the drop in revenues will be at least \$3 billion worse than projected putting the size of the state's shortfall at more than \$24 billion for fiscal years 2008-09 and 2009-10; and

WHEREAS the State Controller has determined that the State's \$2.8 billion cash shortage in July 2009 will grow to \$6.5 billion in September, and a double-digit freefall after September; and

WHEREAS the State Controller has determined that without effective action to address the budget and cash crisis, the State will have insufficient cash to meet its obligations starting July 2009 and will need to issue registered warrants (IOUs) in order to preserve cash and protect payments the State must make to fund education and repay outstanding debt; and

WHEREAS on June 30, 2009, the Legislature failed to take action to pass a revised budget for fiscal years 2008-09 and 2009-10 to effectively address the unprecedented statewide fiscal crisis, thereby requiring billions of dollars in additional solutions; and

WHEREAS immediate and comprehensive action is needed to address the revenue shortfall facing the State of California.

NOW, THEREFORE, I, ARNOLD SCHWARZENEGGER, Governor of the State of California, in accordance with Section 10(f) of Article IV of the Constitution of the State of California, HEREBY DETERMINE that General Fund revenues for Fiscal Years 2008-09 and 2009-10 will decline substantially below the estimate of General Fund revenues upon which the 2009 Budget Act was based.

I, ARNOLD SCHWARZENEGGER, Governor of the State of California, HEREBY DECLARE that a fiscal emergency exists.

I, ARNOLD SCHWARZENEGGER, Governor of the State of California, HEREBY IDENTIFY THE NATURE OF THIS FISCAL EMERGENCY to be the projected budget imbalance and insufficient cash reserves for Fiscal Year 2009-10 and the projected insufficient cash reserves and potential budgetary deficit in Fiscal Year 2010-11 which are anticipated to result from the dramatically lower than estimated General Fund revenues in Fiscal Years 2008-09 and 2009-10.

FURTHER, on this day, as required by Section 10(f) of Article IV of the Constitution of the State of California, I will cause the Legislature to assemble in special session to address this fiscal emergency, and I will submit to the Legislature proposed legislation to address this fiscal emergency.

IN WITNESS WHEREOF I have hereunto set my hand and caused the Great Seal of the State of California to be affixed this 1st day of July, 2009.

ARNOLD SCHWARZENEGGER
Governor of California

ATTEST:

DEBRA BOWEN
Secretary of State